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FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC 0499
INFO RUEHBK/AMEMBASSY BANGKOK 3290
RUEHBJ/AMEMBASSY BEIJING 5260
RUEHBY/AMEMBASSY CANBERRA 4211
RUEHHI/AMEMBASSY HANOI 3076
RUEHJA/AMEMBASSY JAKARTA 3868
RUEHKL/AMEMBASSY KUALA LUMPUR 3505
RUEHML/AMEMBASSY MANILA 9732
RUEHUL/AMEMBASSY SEOUL 7857
RUEHGP/AMEMBASSY SINGAPORE 6467
RUEHKO/AMEMBASSY TOKYO 7745
RUEHWL/AMEMBASSY WELLINGTON 1504
RUEHGZ/AMCONSUL GUANGZHOU 9359
RUEHHK/AMCONSUL HONG KONG 6479
RUEHGH/AMCONSUL SHANGHAI 0175
RUEHC/DEPT OF AGRICULTURE WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 TAIPEI 001901

SIPDIS

SENSITIVE
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STATE PASS USTR
STATE FOR EAP/TC,
USTR FOR STRATFORD AND ALTBACH,
USDOC FOR 4431/ITA/MAC/AP/OPB/TAIWAN/JDUTTON
USDA FOR FAS/ITP/SHEIKH
TREASURY FOR OASIA/LMOGHTADER
TREASURY ALSO PASS TO FEDERAL RESERVE/BOARD OF GOVERNORS,
AND SAN FRANCISCO FRB/TERESA CURRAN

E.O. 12958: N/A
TAGS: [ETRD](#) [ECON](#) [EFIN](#) [EINV](#) [TW](#)
SUBJECT: NEXT STEPS FOR TAIWAN TIFA

REF: A. TAIPEI 1803

[1](#)B. TAIPEI 1872
[1](#)C. TAIPEI 1873
[1](#)D. TAIPEI 1874
[1](#)E. TAIPEI 1875
[1](#)F. TAIPEI 1876
[1](#)G. TAIPEI 1877
[1](#)H. TAIPEI 1801
[1](#)I. TAIPEI 1837
[1](#)J. TAIPEI 1836
[1](#)K. TAIPEI 1840
[1](#)L. TAIPEI 1843
[1](#)M. TAIPEI 1831

[1](#)1. (SBU) Summary and introduction: The fifth round of US-Taiwan Trade and Investment Framework Agreement (TIFA) talks concluded in Taipei on May 26. Deputy USTR Karan Bhatia and Taiwan's Deputy Economic Minister Steve Chen jointly presided over the talks. Reftels report on each session of the talks (refs A - G) as well as side meetings held on the margins of the talks (refs H - M). Septel summarizes all of the public and private outcomes of the talks. While the talks covered a wide range of topics important to US business interests, USG agencies should focus their immediate efforts on implementing the agreed outcomes on agricultural trade, intellectual property and pharmaceutical pricing. In addition, AIT and TECRO should begin preparing for further discussions on establishing bilateral tax and investment agreements. End Summary and introduction.

Agricultural Trade

12. (SBU) The U.S. achieved its primary goal in the agricultural area by gaining agreement to establish a Consultative Committee on Agriculture (CCA). A CCA will provide a high-level framework to address issues impacting the bilateral agricultural relationship and develop/enhance programs that support that relationship. AIT views the CCA as a mechanism to create a political commitment to resolve technical market access issues and to address concerns over Taiwan's agriculture trade policies in the WTO and elsewhere. Taiwan is currently reviewing examples of a Memorandum of Understanding and Terms of Reference for a CCA and will provide its comments to AIT. These documents, when negotiated and signed, will establish the CCA. AIT's Agriculture Section will take the lead in the initial discussion. We hope to complete this process relatively quickly; certainly by the end of this year.

IPR

13. (SBU) Prior to the talks, both sides developed their independent plans to enhance enforcement of IPR. The U.S. agreed to work off of the Taiwan IPR Action Plan with its 14 separate points on issues ranging from combating internet-based piracy to enhancing copyright enforcement on university campuses and computer systems to establishing the IPR court and enhanced protection of patented pharmaceuticals. These 14 items, along with additional concerns became the private outcomes of the TIFA session. In addition, the U.S. gained Taiwan agreement to hold regular talks on IPR issues every six months. The next set of IPR talks should be held before the end of this year and include

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discussion of enhanced efforts to combat sales of counterfeit drugs by pharmacies. AIT will work with U.S. agencies and TECRO to establish dates and set the agenda for the next round of IPR talks.

Pharmaceutical Pricing

14. (SBU) Taiwan's price/volume survey system for regulating pharmaceutical prices turned out to be the most contentious issue of the talks. In the end, Taiwan agreed to hold off announcing any price cuts in pharmaceuticals to allow for consultations to be held between July 1 and September 30. These consultations are aimed at providing an opportunity for U.S. firms to explore and try to resolve their concerns over the methodology of Taiwan's price-volume survey that determines price cuts mandated by the authorities. AIT will take the lead in discussions with Taiwan's Bureau of National Health Insurance (BNHI) to fix dates for the consultations and seek any background information required to prepare for them. We recommend that Washington agencies consult with U.S. pharmaceutical manufacturers to secure their commitment to participate actively in such talks and seek their views on preferred dates.

Tax & Investment Agreements

15. (SBU) Via Digital Video Conference (DVC), the two sides discussed the possibility of entering into talks to conclude agreements between AIT and TECRO on Avoidance of Double Taxation and Investment. We agreed that further discussions on both issues would be desirable. There are important technical legal issues concerning the mechanism to implement a tax agreement, but AIT understands from the U.S. business community in Taipei that there are real and immediate benefits that would accrue to U.S. firms once a tax agreement is implemented. One firm told us that it believes a tax agreement would generate a 10% saving in its cost structure. This substantial economic benefit suggests that Washington agencies should continue exploring appropriate mechanisms to

implement a tax agreement and continue discussion with Taiwan on setting dates for further discussions. AIT will seek further views from Taiwan's Ministry of Finance on pursuing tax and investment agreements. Taiwan reports that it has 16 tax agreements, including with Australia, New Zealand, Malaysia, the UK and several other EU members. A complete list and a statement of Taiwan's policies on Avoidance of Double Taxation agreements can be viewed at www.dot.gov.tw/en/display/show.asp?id=1123#se c2.
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